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# **Demand driven chains and networks**

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## **1. Introduction**

In his book 'The third wave' (1980), Toffler points at an important transition that industry is going through at present. Western economies are moving away from centralization, standardization, and mass production, which are gradually replaced by individualization, innovation, and diversity. Several consequences may be noted. First, consumer choice has reached the level of overabundance. Second, knowledge has become more important than manufacturing materials and manpower. Third, market power is shifting from the supply system to the consumer. Without active involvement of the consumer (the 'prosumer'), doing business is becoming increasingly difficult. Finally, companies are no longer capable of operating in isolation. The increasingly complex, versatile and diverse consumer demand necessitates complex, flexible, and innovative production and supply activities, requiring the simultaneous and coordinated input of various companies. This is only possible in chains and networks.

Individual companies must adopt their own strategy to survive in this complex and rapidly changing world. Central questions are: how to cope strategically with this phenomenon of prosumers, how to organize oneself, and which partners need to be selected? We combined these questions in a new concept of 'demand driven chains and networks'. Demand driven chains and networks may be characterized by the way and the degree in which customers are involved in the total process of the generation of goods and services. The primary goal of companies is and continues to be durable competitive advantage, but the approach which they will take, and the instruments that they will use will be dramatically different from those in the recent past. We will elaborate on this in the present paper.

In order to understand the present development, it is important to position it historically and paradigmatically. For this we will start, in Paragraph 2, by discussing the general notion of strategy, and by showing how this may be applied at the business level. Paragraph 3 will describe the development of consecutive generic marketing strategies. Both paragraphs will conclude by pointing at a stronger focus on a chain and network orientation. This orientation, in itself, does not necessarily imply the development of *demand driven* chains and networks. That is why we provide, in Paragraph 4 of this paper, a first comprehensive view on demand driven chains and networks. We show that these chains and networks are more than transaction based activity sequences. Paragraph 5, finally, presents conclusions and a brief inventory of future research questions.

## **2. Value creation, business strategy, and business models**

Normann and Ramirez (1993) state that strategy is the art of creating value. It is primarily the art of positioning a company in the right place of the value chain (the right business, products, market segments, and value-adding activities). The fundamental logic of value creation is changing, however. Norman and Ramirez

explain that successful companies conceive of strategy as systematic social innovation: the continuous design and redesign of complex business systems. The focus of strategic analysis is therefore not the company or even the industry but the value-creating system itself, within which different economic actors (suppliers, business partners, allies, customers) work together to co-produce value. Lurie adds that companies need to think about their comparative advantages in the value chain, even before they start thinking about how to reconfigure it for their customers' sake. According to Lurie: 'If they fail to do so, they are not designing strategy; they are simply engineering.' Lurie in Kohn and Alfie, 1993.

After a period in which single firms produced and sold on a merely local level, the industrial revolution brought about large-scale operations. Mass production implied identical products at lowest possible costs, as price was the basis of competition. However, consumers wanted to have more choice among different products and among different suppliers than was made possible by mass production. Thus, consumer need for differentiation, an increasingly competitive environment, and technological progress combined to trigger specialization, shorter product life cycles, and the internationalization of markets. Companies that had grown enormously during the industrial revolution, started falling apart into smaller operations each focusing upon their core competencies. While specialization involved an increase of 'information costs' (for both producers and consumers) and transaction costs, technological progress facilitated the integration of activities. The required surplus value could be created efficiently. This process has been going on now for several decades. More recently, the development of Information and Communication Technology (ICT) is playing a special role. It increases the speed of information exchange, and it stimulates a diversification strategy by affecting functions (financial services, for example, become disconnected from the physical products or services bought) and services (for example in the way a product is designed, presented, and delivered).

Traditionally, firms integrated as many functions as possible: half a century ago a manufacturer developed a product, manufactured it, and distributed it. The very combination generated turnover and market power. Value chains were short and directly targeted at the individual consumer or small consumer groups. However, the consumers' need for choice and quality (surplus value) stimulated the development of more integrated value chains, in which different parties were responsible for different functions. Each of these parties could focus on its own specialty, thus creating not only value, but also an efficient chain. Extra value could be added by automation technology, which stimulated modular standardization and efficiency within the chain.

Lampel and Mintzberg (1996) describe the development toward what they define as 'pure customization' in production chains. Firms that operate with standardized design, standardized manufacturing, assembly, and distribution are labeled as 'pure standardized' firms. According to these authors, the development towards more customization takes place by customization higher in the production chain. Starting with more customized distribution within a 'segmented standardization' approach, the degree of customization increases to the point where also assembly lines are customized. At the ultimate level of customization, even design is customized. Such a level may involve a rearrangement of inventory locations and distribution facilities. This can only be made possible with the help of appropriate consumer information.

In the current international economy, competition by Western companies can hardly be based on a cost strategy alone as long as the wages in other parts of the world are significantly lower. As Toffler (1970) formulated it, a 'vast array of demassified niches' developed. With this he particularly refers to the fact that (the imagination of) consumers plays an increasingly dominant role in the generation of products and services. Naisbitt et al. (1990) also state that the future does not lay in more 'high tech', but in more 'high touch' (like culture and history), thus underlining consumer input rather than technology push.

The future strategy of companies does not seem to depend on their performance on technical innovation, but their capability of capturing individual consumer identities. That is, the survival and success of organizations depends on their ability to flexibly respond to the great diversity of individual needs. As, by their very nature, most organizations lack the needed agility, they can only do this by applying a generic, forked strategy: by focusing upon core competencies and by cooperating closely with companies with complementary products and services in networks.

Thus, changes in business environments strongly influence business strategies and necessitate the reformulation of business models.

Figure 1 shows the relationship between generic business strategies and business models. It shows also how a diversification strategy, aimed at meeting a large variety of different consumer needs, can be realized only with the help of networks.

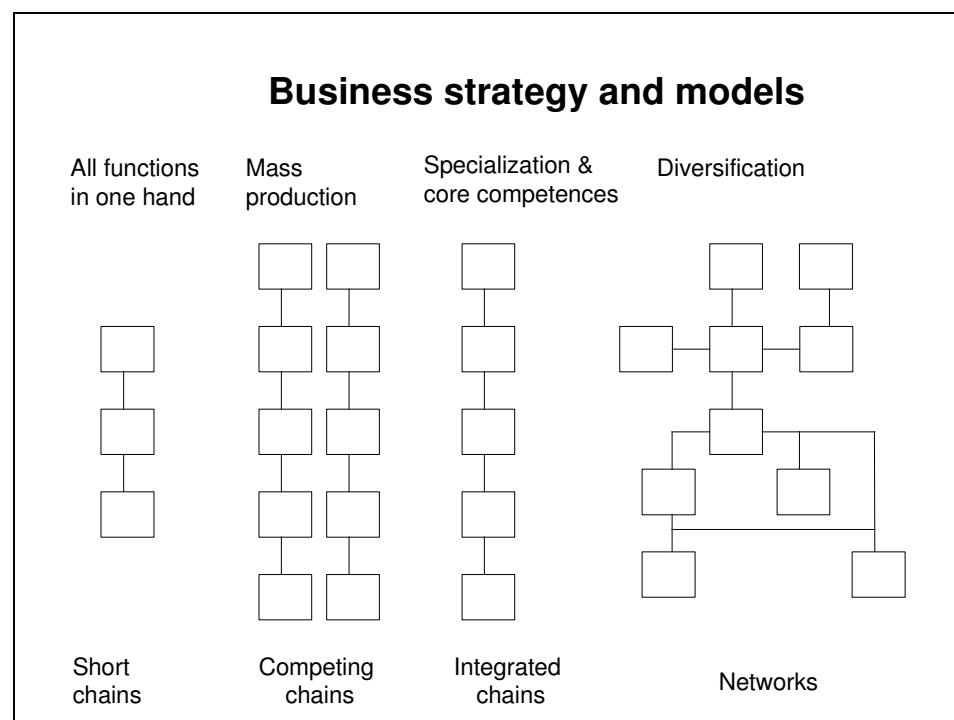


Figure 1: Business models related to business strategies

The particular interaction between supply and demand is described by the term 'market orientation'. It refers to the marketing philosophy. While a philosophy, in

itself, has no practical value, it has a strong impact on strategy decisions, which in turn, dictate concrete tactical and operational measures. Market orientation concerns issues of power, policy focus, strategy, organization, and implementation. We will elaborate on it briefly in the following paragraph.

### 3. Market orientation

During the last half century, marketing progressed through different stages (Achrol and Kotler, 1999). These stages are generally described on the basis of different business philosophies that guide production and marketing efforts. For each period, the approximate years are indicated:

1. The **production concept** holds that consumers simply want products that are available and affordable. Management should focus on improving production and distribution. The main focus of the organization is on manufacturing, and the aim is to increase production, to reduce and control costs, and to make profit through volume. This production orientation is useful when 1. The demand of a product exceeds the supply (like at the start of a product life cycle), and 2. The product costs are too high and need to be reduced by increasing production efficiency. This approach presumes high consumer price sensitivity. It may be positioned between 1930 and 1960.
2. The **product concept** holds that consumers will favor products with the best quality. In this philosophy, innovation is critical. The product orientation leads managers to believe that technological superiority is the key to business success. However, this approach may lead to 'marketing myopia' (Levitt, 1960), meaning that management focuses on the product itself rather than on its position in a competitive market - a merely technical quality focus may ruin a product. Period: 1960-1975.
3. A third phase in the development of business orientations is the **selling concept**. This concept dominated between 1975 and 1990. It assumes that consumers will not buy your product unless the organization undertakes large-scale selling and promotion activities. The selling concept is especially practiced when organizations have overcapacity. Concentrating on selling is successful when marginal production costs are low and when reselling or repeat buying is low. The focus is on short-term revenues and on direct transactions rather than long-term relationships. The idea is that products are sold, not bought.
4. The **marketing concept**, approximately from 1990 to 2000, is presented in the fourth phase of the development of marketing orientations. Here the emphasis is on the combination of the so-called '4 P's': a firm should develop products for an acceptable consumer price, using the proper promotion and selling techniques, and distribute them through the right channels. Mutual alignment of these instruments is considered critical. This approach has developed into what is generally considered to be the 'right way' of doing business. Different combinations of marketing instruments are targeted at different consumer segments in order to produce an optimal fit. In this approach, marketing may be either transaction or more relationship oriented.

The present overview suggests that the marketing philosophy is subject to constant change. This is most apparent in the evolution of business and marketing strategies and in the deployment of marketing instruments. The obvious question relates to the nature of the fifth stage. How may it be called? What are its characteristics? And what are its driving forces? As the various stages seem to converge to a more central position of the consumer in the marketing process, we propose to explicitly refer to the consumer when identifying the next, fifth stage.

#### 5. The **consumer concept**

We call this phase ‘the consumer concept’ in order to emphasize its strong focus upon the ultimate target of marketing: the customer. Obviously, this may be the end consumer or some buyer at some position in the value chain. The argument here is that, ever since the historical beginning of buyer-seller relationships, the focus on the consumer has never been so strong. In the four previous marketing periods, consumers had to organize their acquisition activities within the boundaries set by the supply side. Now, the situation is gradually but consistently reversing: marketing acknowledges that it has no purpose of its own and is adapting itself to the party of which it is ultimately dependent: the consumer. Inherent in the consumer concept is the preoccupation with consumer understanding. As understanding is not instantaneous and can only develop over time, the consumer concept involves a relationship orientation. In essence, the transition from a transaction orientation towards a relationship orientation is not new. The relationship is a rather well established concept in business-to-business markets, and has been described and studied by several academic scholars (Anderson et al., 1994; Gadde and Mattson 1987; Mattson and Johanson, 1987), who mainly focused on industrial buyer-seller relationships. Relationship management is seen as the most critical (and fragile) aspect in supply chain management (Handfield and Nichols 1999). However, the focal point of attention and research is changing from industrial relations to consumer relations, and from relations in dyadic structures to relations in networks. The latter is a second characteristic of the consumer concept. Companies are more and more connected to each other, often operating in complex structures of value chains and networks. The literature usually distinguishes between vertical structures like value chains and networks. Lazzarini, Chaddad and Cook (2001) introduced the term ‘netchain’ for the combination of networks and chains.

Table 1 summarizes the overview of the various marketing stages.

<b>Period</b>	<b>1930-1960</b>	<b>1960-1975</b>	<b>1975-1990</b>	<b>1990-2000</b>	<b>2000-..</b>
<b>Characteristic</b>					
Central element	Product	Production	Sales	Marketing	Consumer
Strategy	Mass production	Specialization in products	Advertising	Diversification, specialization in function	Integration of design, sales and customer service
Basis	Technology	Automation	Mass media	Arise of retailers	ICT-possibilities
Demand orientation / focus	Output evaluation	Forecasts; Process evaluation	Advertising research	Marketing P's, integral delivery	From product to services; customization
Transaction	4 elements in one hand	Separate sales function	Separate information	No change	4 elements separate
Business model			Competing chains	Integrated chains	Networks

Table 1: Marketing orientations, their approximate periods, and their relative characteristics.

In recent decades, the frequency of alliances, joint ventures and co-makerships has increased enormously. Often, the driving force behind these cooperative structures is the strategic need of companies to expand in new markets, or the need to share costs, risks or knowledge. Also industry characteristics, governmental regulations, and customer demands may require new cooperative structures. These imply the adoption of new views on relationships, and a re-definition of roles and coordination. However, relationships in a network seem even more complex by the required flexibility. Alliances and joint ventures can not form the highly agile network as implied here. We will focus here upon a network as consisting of multiple relationships. All parties contribute to the end result, and all parties are mutually dependent.

#### 4. Demand driven chains and networks

Demand driven chains and networks constitute the central theme of this paper. If chains and networks are critical for the current marketing developments, two questions need to be addressed:

1. what factors contribute to the existence and growth of chains and networks?
2. Why should chains and networks be demand driven and what is the key difference with supply driven chains and networks?

## 1. Factors contributing to the existence and growth of chains and networks

Here we will briefly identify the factors that we judge as critical.

### *Relationships*

A first aspect is that the focus of attention has shifted from short-term activities to long term effects. This is a symptom of the growing interest in customer relationships relative to *ad hoc* transactions. It is more difficult for an individual manufacturer or supplier to follow a consumer over time than it is for a combination of different parties, each of which has its own function in supporting the consumer during one of a product's or service's life stages.

### *Diversity*

Achrol (1991) mentions diversity as one of the three environmental factors that have important implications for the way marketing is organized. One of these factors is diversity, requiring flexibility. Knowledge is the second factor. Its accessibility is increased by flatter organizations and more permeable organizational boundaries. Factor three is turbulence, which demands organizational speed and agility. The combination of these factors can only be realized with the help of networks that are inherently flexible, open, and agile.

### *Mass customization*

Mass customization means that products are manufactured/ services are delivered in response to a particular consumer's needs, with a special emphasis on cost effectiveness. It refers to the ability to provide many possible combinations of product and service elements. These are held in stock to the last moment of the manufacturing process in order to allow for them to be assembled or tailored uniquely. Often, this complex process cannot be realized by an individual provider. Mass customization requires a dynamic network of operating units (companies) that operate relatively independently but whose activities are centrally coordinated.

### *Global marketing*

In general: the concept of a global market place and the implications for the marketing strategy has significantly grown in importance (see, for example, Steenkamp et al. 2002, Steenkamp 2000). Decisions on product development, pricing and marketing communications have to be made, keeping in mind the possible effects on a global market position. Networking is realized in the form of transnational sourcing, which has become a common practice and is still growing in importance, thus contributing to the network.

This tendency towards a global supply chain is raising questions like: how to identify critical success factors for managing the global supply chain and how to manage these processes (Handfield and Nichols, 1999).

### *The Internet*

Berthon et.al. (2000) conclude that the World Wide Web constitutes the emergence of networked information-processing technology that will likely change every industry of the future. The distinction between retailer, wholesaler and manufacturer can be expected to become increasingly blurred. This is another reason for looking at the value-creating system as a whole.



### *Chain reversal and interactivity*

Prahalad and Ramaswamy (2000) signal that largely due to the Internet, customers have been increasingly engaging themselves in an active and explicit dialogue with manufacturers of products and services. That dialogue is no longer even being controlled by corporations. Individual consumers can address and learn about businesses either individually or by the collective knowledge of other customers. Customers can now initiate the dialogue, thus reducing the distinction between suppliers and consumers as well. The market has become a forum in which customers play an active role in creating and competing for value. Prahalad and Ramaswamy (2000) see customers as a new source of competence for the corporation. This competence is a function of the knowledge and skills they possess, their willingness to learn and experiment, and their ability to engage in an active dialogue.

Table 2 presents an overview of the different aspects involved in chain reversal.

<b>Chain reversal: from push to pull</b>		
<b>Marketing Aspects</b>	<b>Push (supply driven)</b>	<b>Pull (demand driven)</b>
Type of supply	Commodity	Custom made
Consumer involvement	Afterwards	Beforehand
Type of involvement	Indirect	Interactive
Degree of involvement	Form / appearance	Self-creation / prosumer
Information basis	Segmentation	Individual
Marketing tools	Advertising	ICT

Table 2: Chain reversal and its implication for different marketing aspects

The various points may be summarized crudely by identifying some major questions that business strategists in a network economy should address:

<b>Business strategy questions in a network economy:</b>
<ul style="list-style-type: none"><li>- What value (also emotional) do you want to give to your customers and what elements are important?</li><li>- What is your core business when considering the total value-creating system in which you operate and produce this value?</li><li>- Which partners are needed to generate the activities that come out of the first two steps and that will lead to a high added value for your own company?</li><li>- What organization structure and knowledge is needed to organize and manage this?</li></ul>

## 2. Why should chains and networks be demand driven and what is the key difference with supply driven chains and networks?

While companies still struggle with network engineering and redesign in order to accommodate relationship management and customization, it seems that the next stage of marketing development is already in sight. While the current marketing focuses on producing or assembling products and services, it may be argued that it is not the product or service per se that the consumer is interested in. Products and services are merely the instruments needed to obtain the actual value: the consumer experience. Therefore, we need to adapt our conceptualization of market structures and processes once more, as it requires us to think in terms of value systems.

The economy is evolving towards an experience economy where value systems are (re)created continuously on the basis of new and sometimes surprising combinations of activities. Here we want to argue that none of the current business models is capable of offering this. The business models described earlier all have in common that activities take place in chains. That is, they are sequentially organized, activities are ordered on a time continuum, and each activity combines a physical, financial and information element. This limits the flexibility needed for a truly demand driven value system. Poiesz and Van Raaij (2002; forthcoming in 2004) argue that there is an imperfect match between market supply and consumer demand in that the latter is structured according to the former. The authors state that consumers extract value from combinations of products/ services. By their selection and allocation decisions, they have to organize their own experience of value. This seems an indirect route at best. If consumers experience value on the basis of combinations, why not offer these directly? Poiesz and Van Raaij propose a solution in which longer term relationships are used to improve packages of products and services, and that these packages will attract consumers in even longer term relationships. Over time, the package is extended and optimized to match individual consumer needs. The authors suggest that, in such a market system, consumer loyalty will increase to the point where competition is reduced and traditional marketing instruments (like mass advertising) do not need to be deployed.

Current business models exist as a residue of the past. They were meant to provide a solution for shortages in a cost effective manner. Of course, they evolved over time, but reflect traditional marketing thinking. Both shortages and costs have stopped being the primary driving forces of business. By now it is time to reconsider the marketing function in a fundamental way. At a meta-strategic level, the question is whether market systems and processes that have followed a logical development in the past, are losing their traditional function and even limit true innovation. It may be argued that the consumer is the ultimate stakeholder of business, market, and marketing activities. Thus, in the end, the only suitable system is a demand driven system. For this it may be necessary to abandon existing supply dominated systems and develop a demand driven system. Although the feasibility of such a turn-around market operation can not be considered elaborately here, with the help of ICT it seems possible to split up existing activities, to outsource separate elements, and even to create independent new businesses. The development of multi channel distribution networks means that different 'layers' are involved, which is described in the next paragraph.

### **Decoupling of systems**

Prahalad and Ramaswamy (2000) argue that the biggest challenge for companies will be to develop the infrastructure needed to support a multi channel distribution network to realize customization, including their information technologies. One of the most critical elements in the information infrastructure is a company's billing system, which is a valuable repository of customer information. Many companies that deal directly with consumers lack any competence in billing because, in the past, they relied on their channel partners to handle that task. In a multi channel distribution network all channel partners want to have access to this billing system.

The development in the information and communication technology in the past decennia has resulted in a decoupling of four systems, that each creates their own value:

- the physical system (the product or service that is delivered),
- the financial system (the payment involved),
- the information system (information about the product, payment, delivery etc. that is being transferred) and;
- the trust system (trust is involved in each of the other three systems).

Each system may have its own relationship with a customer. Each system may provide more or less value. For example, if the physical system adds little value because of a low product or service innovation rate, the information system may provide additional value by giving the consumer influence or even control over their design and production. Although all systems are needed in every transaction, the way the systems are organized and combined may differ per transaction. A complex multi channel distribution network is the result as can be seen in Figure 2.

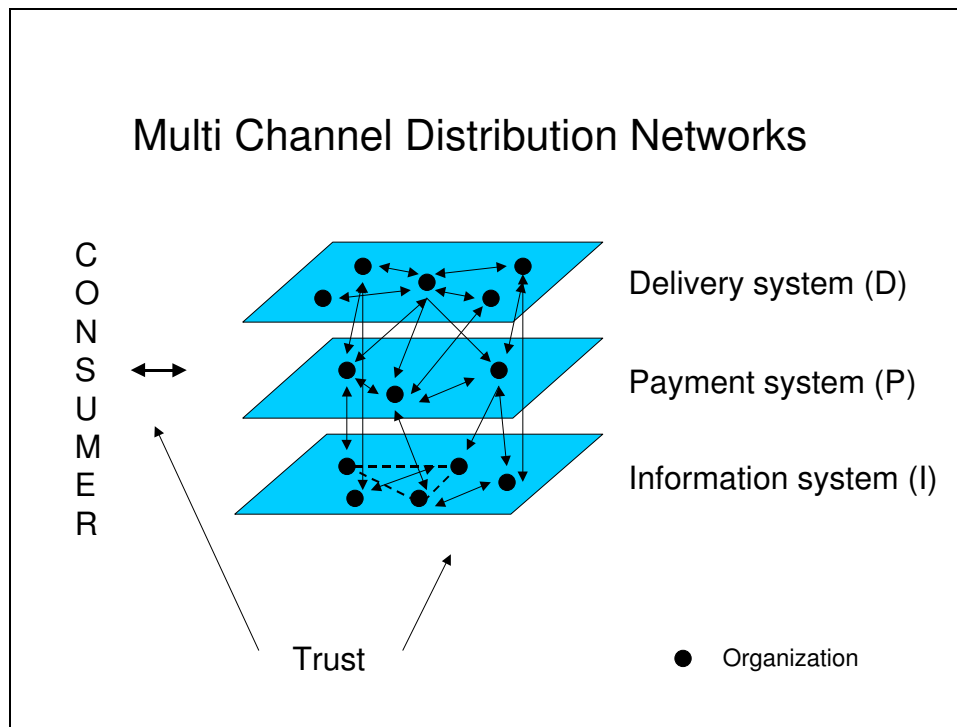


Figure 2: A multi channel distribution network

A multitude of network configurations becomes possible. The particular configuration depends on the particular consumer (needs). Here we may point at the health care sector for an example.

#### **Multi Channel Distribution Network: a health care example**

When a person is suffering a stroke, a number of organizations become involved to give the required treatment and services: ambulance, hospital, laboratory, home treatment, etc. These organizations often work with protocols that decide how and when a client moves through the health care system. The financial flow follows the treatment given, comes from different sources (based on legislation) and goes to the specific organization that gives the treatment. The flow itself is unrelated to needs expressed by the consumer. It is also unrelated to issues like organizational efficiency or effectiveness. The information flow follows the client in the form of a patient file. Its exchange is often limited to the two organizations that handle two sequential steps in the process. Furthermore a client may receive information directly from an organization about a stroke, about the treatment or about the organization itself. Internet has become another important information source for clients about the performance of organizations, waiting lists, etc. Trust plays an important role in every interaction in this system.

### ***Delivery system***

In the new economy, low-cost delivery requires companies to combine their telecommunications/ Internet infrastructure with their physical logistics and service infrastructure. So on the one hand there is specialization through decoupling of systems; on the other hand systems are combined for standardization and the sharing of scarce resources. Thomke and Von Hippel (2002) formulate it as follows: the location where value is both created and captured changes, and companies must reconfigure their business models accordingly.

### ***Payment system***

The parties who contribute to consumer value need to be compensated for the costs incurred and need to share in the profit obtained at the network level. For this, the traditional payment per transaction is not necessary. Possibly, contributors are paid by the value that they add to the experience of a package of products and services. Consumers may pay in a variety of ways that may differ substantially from the current payment practices. On a small scale, an all inclusive tour is an example. Here, tourists may not have to pay anything from the moment they leave their home to the moment they enter it again. Another example may be a subscription to a network that organizes consumption experiences. Rather than the consumer paying for the various components, the network itself redistributes the overall payment received.

### ***Information system***

In the past few years, information has stopped being a scarce resource. Information on just about anything is available just about anytime and anywhere. When the amount of information on important consumer issues is so abundant that consumers are incapable of dealing effectively with it, new parties provide brokerage services. Unlike in the (recent) past, information is not tied to a specific channel. Information may be obtained by intermediaries, by print documentation, by video and audio channels, and by the Internet. The information may be made available by commercial sources, by independent sources, and by other consumers sharing their consumption experiences. This allows the delivery and payment system to be accompanied by the information system in the way, at the time, and at the location that best suit the consumer.

### ***Trust***

Trust plays a role in every relationship between persons and transaction between organizations. According to Nooteboom (2002, p. 18) one objection to transaction cost economics (TCE) is that it neglects trust in its assumption that in the 'governance' relations we need to safeguard against opportunistic behavior. Trust has received a considerable amount of attention in the academic literature in recent years. It is generally believed that the level of trust is an important factor in the way the delivery system, the payment system and the information system are used by consumers. In demand driven market systems, it is difficult or even impossible to judge the offered package on a purely objective basis. For this it has become too complex. Trust may serve as a compensation. The same applies to information and payment. Information is available to such an extent that consumers need to find a way to handle this. Trust may serve as a so-called 'heuristic': a simplified decision rule. The need for elaborate information and trust may be assumed to be inversely related.

Payment systems are likely to become less transparent when more parties are involved. An 'all inclusive' arrangement is acceptable only to the extent that the consumer trusts the other party not to exploit the intransparency to the consumer's disadvantage.

The notion 'demand driven' refers to chain reversal and mass customization. Chain and networks refer to the business model that forms the basis of the delivery of products, services and in the near future experiences. This business model is becoming highly complex. It is the result of direct interference in a company's processes by, on the one hand, consumers and a network of channel members (delivery, payment, and information) on the other. Each channel member has its own function and adds its own value, which is directly related to the product or service produced. In this respect, we may also refer to 'demand driven value systems'. A value system (VS) can then be described as a combination of consumer involvement (CI) and a specific chain and network setting (NS). The latter is a function of the four subsystems regarding delivery (D), payment (P), Information (I)m and trust (T). Stated differently:  $VS = CI * NS (I, P, D, T)$ .

Managers with strategic responsibilities can only understand the system when the multiple layers and their interrelationships (or the lack of them) are simultaneously considered. The goal is to look for processes that allow for entirely new strategies. Pine et al. (1995) mention four components to consider when building learning relationships with customers: the information strategy (identify the customers and have them provide information), the production/delivery strategy (a design tool that can incorporate customer's requirements), the organizational strategy (customer managers that know customer's preferences and .....?..... what capability managers can provide; capability managers each execute a distinct production or delivery process for fulfilling each customer's requirements) and the assessment strategy (valuation).

## **5. Concluding remarks and research questions**

In this paper theories that describe and explain chain and network developments (business models and firm behavior) and marketing theories have been brought together. This led to the introduction of the notion of a multiple layer market system, which presents a new way of looking at doing business. It abandons the notion of business as a sequential chain of transaction based activities. Instead, it proposes to see business as a continuous effort to organize and coordinate activities from different systems in order to create customer value. The key difference between the traditional and the new notion is that there is no pre-determined process leading from production to consumption. Thanks to ICT, the delivery system can be combined with the information and payment systems in a large variety of new ways, leading to many new business opportunities. The agility of markets will have to be matched, at least, by the mental agility of management. Just like the organizations they represent, their notions of business and marketing need to be redesigned. Innovation and flexibility continue to be critical success factors, but will ascend from the level of individual companies to the level of markets. This confronts management with strategic questions of unprecedented complexity. And because of the speed of change, there may be no time to correct wrong decisions. Carroll (1993) states that managers face

many challenges: the sheer number of role-configuration options, the lack of accessible systematic information about key relationships (even customer relationships), the distribution of key strategic knowledge and information throughout the organization and the emergent and serendipitous nature of co-produced offerings.

There will also be academic questions. Scientific work on chains and networks is to produce knowledge about the combined action of the different systems. Exchange between different disciplines may lead each field to develop a richer and more compelling understanding of corporate behavior.

Research questions will have to deal with developments at the market supply side and the market demand side. What is more, by the decreasing difference between the parties on either side, it will become important to study both sides simultaneously. It is important to understand how they influence one another. The consumer, at the aggregate level, co-determines the market system which, in turn, sets the conditions for consumer behavior to occur.

Because new markets will not be the simple result of the extrapolation of traditional market developments, experimentation will play an important role. One research question, then, is how the success of new and improved experimentation modes will affect the core competencies of a corporation (Thomke, 1998). At the demand side, it will be important to research consumer notions of value and experience. So far, academic and commercial research have focused predominantly on consumer evaluations of single products and services. This research will have to shift focus in order to study the significance of products and services at the more aggregate level of experience and well-being. Not the satisfaction with a single product or service may be important, but the net contribution it delivers to the overall consumption experience. In this respect, Poiesz and Van Raaij (2002) anticipate that academic and marketing research on consumer decision making will shift attention from the prepurchase to the postpurchase process. Thus, marketing will return to its core business.

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